



SUDAN DIVESTMENT

TASK FORCE

A project of the Genocide Intervention Network

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TESTIMONY: FINANCIAL SERVICES

19 March 2007

Honorable Chairman Gutierrez:

Cc: Members of the Subcommittee on Domestic and International Policy, Trade, and Technology

Re: H.R. 180, The Darfur Accountability and Divestment Act of 2007

My name is Adam Sterling, director of the Sudan Divestment Task Force, a project of the Genocide Intervention Network. As the coordinating entity for the Sudan divestment movement, our organization is actively involved in dozens of successful and developing targeted Sudan divestment campaigns around the world at the university, asset manager, city, state, and national levels. The Sudan Divestment Task Force has developed a unique approach to shareholder engagement and divestment, focusing its efforts on the most egregiously offending companies in Sudan. This approach, termed "targeted divestment", helps to maximize impact on the Sudanese government, while minimizing potential harm to both innocent Sudanese civilians and investment returns.

I'd like to recognize Congresswoman Lee's continuing efforts to support and encourage the divestment movement. My organization supports H.R. 180 and the effort to establish federal authorization for public and private entities that divest from companies whose operations in Sudan are particularly problematic. I would like to address two questions with my testimony: first, what is the current status of the Sudan divestment movement; and second, will Sudan divestment be effective in changing the behavior of the Khartoum government. In closing, I would like to highlight aspects of H.R. 180 that I believe require additional attention.

What is the status of the Sudan divestment movement?

The states of New Jersey, Illinois, Oregon, Maine, California and Vermont have all approved divestment plans. Non-binding divestment resolutions have passed in Ohio, and Connecticut. North Carolina's state treasury and the Kentucky State Teacher's Retirement System independently divested a selection of Sudan-related holdings. Many of these states have left open the option of subsequent divestment. Finally, over twenty states have active divestment movements with varying levels of involvement from state officials. A large number of these have already begun consideration of divestment in this year's legislative session. Religious and international campaigns have also gathered steam, including examination of the issue by the Presbyterian Church, National Ministries, Canadian universities and provinces, and other active campaigns in Europe. Cities have begun consideration of divestment as well: San Francisco, CA; Providence, RI; New Haven, CT; and Philadelphia, PA have passed measures prohibiting certain Sudan investments while the fiduciaries of Buffalo, NY, Los Angeles, CA; Newton, MA, and other smaller cities are considering the issue. At the university level, over thirty institutions have enacted restrictions on Sudan investments. There are emerging or active Sudan divestment campaigns at over two dozen other colleges and universities. At the company level, engagement and divestment campaigns targeting Fidelity Investments and Warren Buffet's holding company, Berkshire Hathaway, have been initiated. Berkshire Hathaway holds over \$3 billion of shares of PetroChina, one of the highest targets of the divestment campaign, making it the largest single shareholder in the company. At the private pension fund level, there is an active divestment campaign for TIAA-CREF, the nation's largest such fund. Finally, ex-Sudan investment tools have been developed or are being developed by asset managers such as Northern Trust, Barclays Global Investors, State Street Global Advisors as well as several socially responsible investing firms. Several Sudan-free mutual funds have also been recently introduced.

Is Sudan divestment effective?

The Sudanese government has a long history of susceptibility to economic pressure, with a foreign debt nearly as large as its GDP. More than US diplomacy, the country has responded to US economic pressure in the past. Despite this historical responsiveness, the regime has faced

little in the way of economic consequences for its perpetuation of genocide in Darfur, heavily protected by a small set of international protectors whose commercial interests in Sudan are very strong. Indeed, while the regime has been brutal towards its own citizens, it has been a shrewd attracter of foreign investment- it currently ranks in the top 20 countries in the world in attracting foreign investment dollars as a percentage of its GDP and it holds international investor conferences, even as the genocide is ongoing, with amazing regularity. This is a government acutely attuned to the country's finances but facing little challenge from the international community. As if to emphasize this point, Sudan's President, Omar Al-Bashir, recently stated to the international press, "When countries gave us sanctions, God gave us oil."

Ironically, the number of companies propping up this genocidal regime is relatively limited. While there are over 500 multinationals operating in Sudan, only a few dozen play a truly detrimental role in the country. Moreover, the companies fiduciaries will choose as replacements may very well perform better than the offending companies, since 19 US states are currently considering divestment from those very companies. For example, one of the highest offending companies, PetroChina, is down 19% this year.

The emerging Sudan divestment movement has already caught the attention of the Sudanese government, which has spent considerable time and energy attacking the campaign, even going so far as to purchase a six page ad for more than \$1 million in the New York Times to counteract the divestment movement. Several major companies operating in Sudan, including ABB, Siemens and Total, have also recently altered their business practices, largely in response to the divestment movement. Both ABB and Siemens recently decided to suspend all non-humanitarian operations in the country.

Prominent foreign policy experts and think tanks which do not classically support blanket sanctions, including experts from the International Crisis Group, the Council on Foreign Relations, Harvard University, and the Heritage Foundation, have all endorsed targeted sanctions, including divestment, on the Sudanese regime, calling it a critical tool for influencing the behavior of the Sudanese government and bringing long-term peace and security to the region.

H.R. 180

While we strongly support the intention of H.R. 180, we believe it would benefit from further attention to the targeting of companies so that the “worst offenders” are subject to punitive measures and those companies without any substantive business relationship with the Government of Sudan and companies who may actually be providing tangible benefits to Sudan’s under-served periphery are exempt from them. The companies I have in mind are those already exempted from existing sanctions by the Office of Foreign Assets Control.

We believe that H.R. 180 can effectively support the growing divestment movement and create important disincentives for companies contemplating or currently engaged in problematic operations in Sudan.

Thank you for the opportunity to address you.